



Joint Legislative Audit Committee
Office of the Auditor General



FINANCIAL AUDIT REPORT
STATE DEPARTMENT OF
DEVELOPMENTAL SERVICES
SPECIAL REVENUE FUND AND AGENCY FUNDS
YEAR ENDED JUNE 30, 1979

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT **F-516.1**

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

516.1

FINANCIAL AUDIT REPORT
STATE DEPARTMENT OF DEVELOPMENTAL SERVICES
SPECIAL REVENUE FUND AND AGENCY FUNDS
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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S. FLOYD MORI
CHAIRMAN

November 21, 1980

516.1

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits
the Auditor General's financial audit report of the State
Department of Developmental Services - Special Revenue Fund and
Agency Fund Types, year ended June 30, 1979.

The auditors are Curt Davis, CPA; Merrill Tompkins, CPA;
Philip Jelichich; Charles Edington; James McAlister; and Kurt
Heinrichson.

Respectfully submitted,

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Special Revenue Fund and the Agency Funds of the State Department of Developmental Services. This audit was conducted under the authority vested in the Auditor General by Sections 10527 and 10528 of the Government Code. We will issue a separate audit report on the General Fund and General Fixed Assets Account Group of the State Department of Developmental Services for the year ended June 30, 1979.

The State Department of Developmental Services administers the Lanterman Developmental Disabilities Services Act and is responsible for administering certain programs which serve developmentally disabled individuals. State law defines a developmental disability as one that originates before the age of 18 that is expected to continue indefinitely, and that substantially handicaps the individual. Such disabilities may be attributable to mental retardation, cerebral palsy, epilepsy, or autism.

The department has jurisdiction over nine state hospitals. Five of these hospitals--Agnews, Lanterman, Porterville, Sonoma, and Fairview--serve only developmentally

disabled persons. The remaining four hospitals at Camarillo, Patton, Napa, and Stockton serve both developmentally disabled and mentally disabled persons.

In addition to state hospital programs, the department serves developmentally disabled persons through operating regional centers and protective living and social services and by planning and developing a statewide comprehensive network of community programs.

AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the financial statements of the Special Revenue Fund and the Agency Funds of the State Department of Developmental Services for the year ended June 30, 1979. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements present fairly the financial position of the Special Revenue Fund and the Agency Funds as of June 30, 1979 and the results of operations and changes in fund balance for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The column amounts on the accompanying financial statements captioned "Totals - Memorandum Only" and the accompanying supplemental information are not necessary for a fair presentation of the financial statements but are presented as additional analytical data and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.



WESLEY E. VOSS
Assistant Auditor General

Date: August 31, 1980

Staff: Curt Davis, CPA
Merrill Tompkins, CPA
Philip Jelichich
Charles Edington
James McAlister
Kurt Heinrichson

STATE DEPARTMENT OF DEVELOPMENTAL SERVICES

BALANCE SHEET
SPECIAL REVENUE FUND AND AGENCY FUNDS

JUNE 30, 1979

	Governmental Fund Type <u>Special Revenue</u>	Fiduciary Fund Type <u>Agency</u>	Total (Memorandum Only) <u>Only)</u>
<u>ASSETS</u>			
Cash	\$ 1,751	\$ 7,077,920	\$ 7,079,671
Deposits in Surplus Money			
Investment Fund (Note 2)	1,741,000	--	1,741,000
Securities (Note 3)	--	1,590,765	1,590,765
Receivables	--	1,210,281	1,210,281
Due from other funds	788,820	--	788,820
Property (Note 4)	--	645,940	645,940
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$2,531,571</u>	<u>\$10,524,906</u>	<u>\$13,056,477</u>
 <u>LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY</u>			
Liabilities:			
Accounts payable	\$ 355,399	\$ --	\$ 355,399
Due to other funds	--	1,493,959	1,493,959
Due to depositors	--	9,030,947	9,030,947
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	355,399	10,524,906	10,880,305
Encumbrances Outstanding	<u>1,187,528</u>	<u> </u>	<u>1,187,528</u>
Fund Equity:			
Fund balance:			
Undesignated	<u>988,644</u>	<u> </u>	<u>988,644</u>
Total Fund Equity	<u>\$2,531,571</u>	<u>\$10,524,906</u>	<u>\$13,056,477</u>

The notes to the financial statements are an integral part of this statement.

STATE DEPARTMENT OF DEVELOPMENTAL SERVICES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
SPECIAL REVENUE FUND

FOR FISCAL YEAR ENDED JUNE 30, 1979

Revenues:	
Charges for services	\$ 893,161
Interest from surplus money investments	<u>95,483</u>
Total Revenues	<u>988,644</u>
Expenditures:	
Developmental disabilities programs	<u>1,542,926</u>
Total Expenditures	<u>1,542,926</u>
Excess of Expenditures over Revenues	<u>(554,282)</u>
Other Financing Sources:	
Operating transfers in	637,880
Miscellaneous adjustments	<u>77,545</u>
Total Other Financing Sources	715,425
Excess of Revenues and Other Sources over Expenditures and Other Uses	161,143
Fund Balance--July 1	<u>827,501</u>
Fund Balance--June 30	<u>\$ 988,644</u>

The notes to the financial statements are an integral part of this statement.

STATE DEPARTMENT OF DEVELOPMENTAL SERVICES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are structured into a Governmental Fund Type and a Fiduciary Fund Type and have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

GOVERNMENTAL FUND TYPES

Governmental Fund Types are those through which most governmental functions are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities--except those accounted for in Proprietary Funds--are accounted for through governmental funds. Included in the governmental funds are the Special Revenue Funds, which are used to account for specific revenues and operating expenditures earmarked for particular activities.

The Special Revenue Fund used by the State Department of Developmental Services is the Developmental Disabilities Program Development Fund. This fund is maintained on the modified accrual basis of accounting. These are some of its more significant elements:

Revenues

Throughout the fiscal year revenues are accounted for on a cash basis. At June 30, all revenues which are earned and expected to be collected are accrued.

Expenditures

Expenditures are accounted for at the time claims for payment are filed with the State Controller. At June 30, all valid expenditure commitments are accrued as expenditures including encumbrances outstanding against budget appropriations for which no goods or services have been received.

FIDUCIARY FUND TYPES

Fiduciary Fund Types are used to account for assets held by a governmental unit in a trustee capacity. Included in this category are agency funds. Agency funds are fiduciary fund types that are used to account for assets held by a governmental unit as a trustee or as an agent for individuals, private organizations, other governmental units, or other funds. The Special Deposit Fund and the Trust Fund are the agency funds within the State Department of Developmental Services.

Special Deposit Fund

This fund accounts for monies designated for specific purposes for which no other state fund has been established.

Trust Fund

This fund accounts for assets of hospital residents or wards of the State.

2. DEPOSITS IN SURPLUS MONEY INVESTMENT FUND

This account shows the amount of the department's money invested in the State's Surplus Money Investment Fund. All earnings derived from these investments are apportioned to the contributing funds. At June 30, interest due from the Surplus Money Investment Fund amounted to \$66,043.

3. SECURITIES

Cash that is received from wards of the State in excess of current needs is invested in marketable securities. The securities are valued at cost with earnings apportioned to the depositors.

4. PROPERTY

This account represents items held for residents and wards of the State for which cost or market value is not always available. Estimated and nominal values are assigned for purposes of accountability.

SUPPLEMENTAL INFORMATION

The following combining statement of assets and liabilities is not considered necessary for the fair presentation of the department's Agency Funds balance sheet, but is presented as additional analytical data. The supplemental information has been subjected to the audit procedures applied in the examination of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

STATE DEPARTMENT OF DEVELOPMENTAL SERVICES
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

FOR FISCAL YEAR ENDED JUNE 30, 1979

	Balance July 1, 1978 Unaudited	Additions	Deductions	Balance June 30, 1979
<u>TRUST FUND</u>				
ASSETS				
Cash	\$ 5,024,713	\$19,282,797	\$19,000,806	\$ 5,306,704
Receivables	14,405	16,631	39	30,997
Securities	1,803,453	385,906	598,594	1,590,765
Property	696,181	20,868	71,109	645,940
Total Assets	<u>\$ 7,538,752</u>	<u>\$19,706,202</u>	<u>\$19,670,548</u>	<u>\$ 7,574,406</u>
LIABILITIES				
Due to other funds	\$ 3,091	\$ 3,841	\$ 3,091	\$ 3,841
Due to depositors	7,535,661	20,022,870	19,987,966	7,570,565
Total Liabilities	<u>\$ 7,538,752</u>	<u>\$20,026,711</u>	<u>\$19,991,057</u>	<u>\$ 7,574,406</u>
<u>SPECIAL DEPOSIT FUND</u>				
ASSETS				
Cash	\$ 2,597,524	\$ 3,502,251	\$ 4,328,559	\$ 1,771,216
Receivables	561	1,179,630	907	1,179,284
Total Assets	<u>\$ 2,598,085</u>	<u>\$ 4,681,881</u>	<u>\$ 4,329,466</u>	<u>\$ 2,950,500</u>
LIABILITIES				
Due to other funds	\$ 34,251	\$ 5,784,426	\$ 4,328,559	\$ 1,490,118
Due to depositors	2,563,834	4,680,782	5,784,234	1,460,382
Total Liabilities	<u>\$ 2,598,085</u>	<u>\$10,465,208</u>	<u>\$10,112,793</u>	<u>\$ 2,950,500</u>
<u>TOTAL-ALL AGENCY FUNDS</u>				
ASSETS				
Cash	\$ 7,622,237	\$22,785,048	\$23,329,365	\$ 7,077,920
Receivables	14,966	1,196,261	946	1,210,281
Securities	1,803,453	385,906	598,594	1,590,765
Property	696,181	20,868	71,109	645,940
Total Assets	<u>\$10,136,837</u>	<u>\$24,388,083</u>	<u>\$24,000,014</u>	<u>\$10,524,906</u>
LIABILITIES				
Due to other funds	\$ 37,342	\$ 5,788,267	\$ 4,331,650	\$ 1,493,959
Due to depositors	10,099,495	24,703,652	25,772,200	9,030,947
Total Liabilities	<u>\$10,136,837</u>	<u>\$30,491,919</u>	<u>\$30,103,850</u>	<u>\$10,524,906</u>

The notes to the financial statements are an integral part of this statement.

OTHER COMMENTS

As an integral part of our examination, we reviewed the department's accounting procedures and its related system of internal accounting control to the extent we considered necessary to properly form an opinion concerning the fairness with which the department's financial statements present financial position and the results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enables us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the department in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The department generally concurs with the suggested operating improvements and adjusting entries.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps